





City of Loma Linda Official Report

Floyd Petersen, Mayor
Stan Brauer, Mayor pro tempore
Robert Christman, Councilmember
Robert Ziprick, Councilmember
Charles Umeda, Councilmember

COUNCIL AGENDA: February 14, 2006

TO: City Council

VIA: Dennis R. Halloway, City Manager 

FROM: Diana De Anda, Finance Director 

SUBJECT: Fiscal Year 2005/2006 - Mid-Year Budget Review

RECOMMENDATION

On February 1, 2006, the Mid-year budget was presented to the Citizens Budget Committee for their review. The Committee approved staff's recommendation and forwarded the report to City Council for approval.

Staff recommends that the City Council evaluate the Mid-year budget review and approve the requested budget revenue appropriations and revised expenditures.

BACKGROUND

The Mid-year budget review is a critical evaluation point of the financial health of the City. The Mid-year budget review provides City Council, Management and Citizens of this community with a picture that illustrates the results of the prior year operations, the first six months of the current fiscal year and an updated projection through the end of the current budget cycle. As a result of management's review there are a number of adjustments which are being recommended for City Council's approval.

Detailed listings of revenue appropriations and expenditure revisions are provided – See attachments I & II.

ANALYSIS

Beginning Available Cash Balances – During the budget process for fiscal year 2005/06 “beginning available cash balances” were estimations of how fiscal year 2004/05 was expected to end. Now, at the mid point of operations in fiscal year 2005/06, staff has the actual ending balances for the prior year. Actual “beginning available cash balances” consist of cash balances with consideration for current accounts receivable and current accounts payable, which were a

part of last years projected revenues and expenditures. Significant changes to “beginning available cash balances” for the City and Redevelopment Agency (RDA) are highlighted on the in Table A below.

Table A

Beginning Available Cash Balances

	<u>Budget Estimated</u>	<u>Actual Balance</u>	<u>Difference</u>
<u>CITY (as a whole)</u>	16,344,750	16,291,100	(53,650)
General Fund			
Unreserved	1,909,600	2,689,000	779,400
Rainy Day Reserve	2,100,000	2,100,000	-
Sewer Operations	66,700	1,006,000	939,300
Sewer Facilities - Development Impact Fees	1,106,900	1,534,300	427,400
Development Agreement Consideration	468,300	-	(468,300)
Park Development	1,323,300	368,600	(954,700)
Traffic Impact	431,200	202,000	(229,200)
General Facilities	260,400	67,000	(193,400)
<u>Redevelopment Agency (as a whole)</u>	6,716,807	7,586,900	870,093
Debt Service Fund	16,717	861,500	844,783
Operations Fund	6,686,600	6,673,700	(12,900)
Low Mod Housing Fund	13,490	51,700	38,210

Revenues – As summarized in Table B presented on the next page, total City revenues are \$1,538,810 higher than at the same point in time last year. Percentage-wise, the City revenues are within normal range expected for the first half of the year. The General Fund is also on course at 47% of its total \$12,599,900 budgeted revenues. The Redevelopment Agency’s budgeted revenues were expected to be higher over prior year by \$6,877,400 in anticipation of higher tax increment and the issuance of tax allocation bonds. At mid-year, tax increment is coming in \$401,235 or 22.4% higher over last year. Redevelopment Agency revenues are approximately \$25.5 million higher, primarily due to the issuance of \$15.1 million in tax exempt bonds and \$10.4 million in taxable bonds on December 14, 2005, more than double the proceeds originally budgeted. As a result, the percentage increase of 135.7% in the Redevelopment Agency’s revenues for the first half when compared to last year can be misleading.

Expenditures –Referring to the summary in Table B presented on the next page, City budgeted expenditures are higher than last year’s amount by \$7.4 million and the Redevelopment Agency by a slight increase of \$69,100. Overall, City expenditures were budgeted higher because of the increased program costs for Water Operations (\$1 million), Special Revenue Funds (\$1.4 million), Grant Funds (\$3.8 million), and Capital Projects Funds (\$1.5 million). Redevelopment expenditures were budgeted at a higher level in order to continue expending of the 2003 Tax Allocation bond proceeds in accordance with the Agency’s “Merged Project Area Plan” improvements and the increase in Low-Mod Housing programs. Percentage-wise City expenditures are close to projected for Mid-year, comparing 35% for 2004/05 and 33.3% for 2005/06 with a \$1,941,690 increase in actual dollars spent. At Mid-year the Redevelopment Agency’s annual expenditures are lower by \$255,752, percentage-wise the Agency’s low 20.8% rate of expenditures is consistent with prior years.

Table B

<u>CITY (Incl. General Fund)</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>Difference</u>
Total Budgeted Revenues	29,977,300	36,366,600	6,389,300
Half Year Revenues	13,711,469	15,250,279	1,538,810
Percent Received YTD	45.7%	41.9%	
Total Budgeted Expenditures	31,805,250	39,239,400	7,434,150
Half Year Expenditures	11,121,116	13,062,806	1,941,690
Percent Spent YTD	35.0%	33.3%	
<u>RDA</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>Difference</u>
Total Budgeted Revenues	10,037,000	16,914,400	6,877,400
Half Year Revenues	3,784,269	29,336,266	25,551,997
Percent Received YTD	37.7%	173.4%	
Tax Increment YTD/percentage change	1,791,340	2,192,575	22.4%
Total Budgeted Expenditures	13,293,100	13,362,200	69,100
Half Year Expenditures	3,033,700	2,777,948	(255,752)
Percent Spent YTD	22.8%	20.8%	

General Fund Analysis – As summarized in Table C presented below, total general fund revenues (including transfers in) are \$15,914 lower for the same period last year. Percentage-wise general fund revenues are 1.9% lower than last year at mid-year. Further revenue detail and analysis is presented in the General Fund Top Six Revenues portion of this report. Although total budgeted expenditures were increased by \$221,050 (mostly in maintenance and operations), current year-to-date expenditures are \$585,094 higher for the same period last year, but are on course at 49.6% of total budget. The increase in budgeted and year-to-date expenditures is primarily due to higher General Government and Public Safety costs.

Table C

<u>GENERAL FUND</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>Difference</u>
Total Budgeted Revenues	12,137,600	12,599,900	462,300
Half Year Revenues	5,936,525	5,920,611	(15,914)
Percent Received YTD	48.9%	47.0%	
Total Budgeted Expenditures	12,283,050	12,504,100	221,050
Half Year Expenditures	5,618,929	6,204,023	585,094
Percent Spent YTD	45.7%	49.6%	

General Fund Top Six Revenues – As presented in Table D on the next page, there are six top revenue sources that make up approximately 80% of the total general fund budget (excluding transfers in). As a point of reference, historically, at Mid-year these top six revenues should generally be at or above the 40% received mark, as shown in the “% Received” column of Table D. Currently, sales tax, refuse, motor vehicle license fees, building permits and property tax are

above target. Staff has chosen to highlight these six revenues to emphasize the important contribution these revenue sources have on the ability to fund general City operations. Following Table D is additional detail of each of the six revenue sources.

Table D

General Fund Top Six Revenues	Budget	% of Budget	YTD Actual	% Received
Sales Tax	2,267,900	20%	1,174,193	52%
Refuse Services Charges	2,069,000	19%	1,070,759	52%
Overhead	1,839,000	17%	450,774	25%
Motor Vehicle License Fees	1,193,000	11%	746,431	63%
Building Permits	738,700	7%	508,735	69%
Property Tax	733,500	7%	345,417	47%
Total	8,841,100	80%	4,296,309	49%

Sales Tax – With the enactment of the “Triple-Flip” as part of the State budget in fiscal year 2004/2005, the City’s sales tax revenues are 0.75% of the 7.75% sales tax paid by individuals and businesses on retail purchases, which are received monthly. Additionally, the City will receive, twice a year (January and May), a one for one exchange of 0.25% of sales tax for property tax. The City is still repaying the offset of prior year’s \$438,000 refund, which is deducted on a quarterly basis. The last deduction for this was for the quarter ending September 2005, for a total of \$38,026. Based on estimates provided by the State Department of Finance and current year receipts, staff is recommending an increase in projected Sales Tax revenues by an estimated \$206,500 (1.8% of general fund revenues).

Refuse Service Charges – Refuse service charges consist of four components – collection, pass-thru, recycling and the new waste to energy charge. The City currently has an agreement with Waste Management of the Inland Empire to provide refuse collection services. The contract pays Waste Management eighty-five percent (85%) of collected revenues, which is budgeted as contractual service expenditure. The remaining fifteen percent (15%) stays with the City to cover its refuse collection administrative costs. Refuse collection, pass-thru and recycling charges are currently coming in slightly higher therefore an increase of \$35,000 is projections.

Overhead – Overhead charges are a method for the City to recover administrative costs associated with expenditure activities in Capital Project Funds, Enterprise Funds and Redevelopment Low-Moderate Housing Funds. The downside to this source of revenue occurs if the expenditure activities in these funds fail to materialize as projected, the revenue projected in the general fund will not be realized either. Due to the uncertainty of when expenditures may occur, no change was included at this time.

Motor Vehicle License Fees (VLF) – Since 1948, the VLF tax rate had been 2 percent of the current value of a registered vehicle. The VLF tax is collected by the State’s Department of Motor Vehicles with most of the allocation to cities based on population figures provided by the State Department of Finance. In 1998, the Legislature and Governor gradually began cutting back the VLF tax for owners of vehicles to a now effective rate of 0.65% and offset (backfilled) the loss of revenue to local governments from the State general fund. Two years ago, the offset was eliminated and restored a few months later by the newly elected Governor. In fiscal year 2004/2005 State budget legislation enacted the “Vehicle License Fee Swap”, which is a dollar-

for-dollar exchange of VLF offset for property tax revenues. This swap is slated as permanent and is only disbursed to cities twice a year (January and May) as opposed to monthly disbursements. Based on estimates provided by the State Department of Finance and current year receipts, staff is recommending an increase of projected Vehicle License Fee revenues by an estimated \$290,000.

Property Tax – Property tax is an ad valorem (value-based) tax assessed on secured and unsecured property. By California Constitution Article XIII A (Prop 13), general property tax is limited to a maximum of one percent (1%) of assessed valuation, with a two percent (2%) cap on the annual increase in assessed valuation. Property sold is reassessed and taxed at the current value. In Loma Linda there are three factors that significantly impact the growth of general property tax revenues 1) the amount of exempt property within our community for government-owned, nonprofit, educational, religious, hospital and charitable organizations; 2) the amount of property within the merged Loma Linda Redevelopment Agency and Inland Valley Development Agency, which retain a significant portion of revenue growth; and 3) the low percentage rate of 11.7%-11.8% of the 1% property tax the City receives in relation to other local taxing entities. In the past few years the City has been registering continued increase in housing prices and resale of existing homes generating a projected 4% - 8% increase to current secured property tax revenue. Unfortunately, as part of the State budget for fiscal years 2004/2005 and 2005/2006 the City has and will again this year lose property tax gains in what has been called ERAF III, which shifts property tax revenues from local agencies to the State. The City's portion for 2005/2006 is \$177,703, which was taken into consideration when the budget was adopted in June of 2005.

Building Permits - Over the past few years the City has approved several housing development projects. Last year a final budget of \$1,274,700 was projected for building permits revenue, actual revenues totaled \$1,176,564. This year when the budget was adopted in June of 2005 we projected \$738,700, at mid-year we have already collected \$508,735 and are projecting an additional increase of \$100,200 for the remainder of the year. Because the Building and Safety Department functions are a contractual service agreement there is a corresponding expenditure increase of \$65,100 to cover the increased activity of the department.

General Fund Expenditures – As summarized in Table E, the general fund is divided into four major activities – administration, community development, public safety and public works. Administration is at the higher percentage of 53.6%, due to the Civic Center Lease payment of interest and principal paid in December. Total general fund expenditures are at 49.6%, which is within the expected target for mid-year.

Table E

GENERAL FUND	<u>Budget</u>	<u>% of Budget</u>	<u>YTD Actual</u>	<u>% Expended</u>
Administration	4,420,800	35.3%	2,367,433	53.6%
Community Development	1,087,800	8.7%	479,866	44.1%
Public Safety	5,532,800	44.2%	2,633,785	47.6%
Public Works	<u>1,469,700</u>	<u>11.7%</u>	<u>722,937</u>	<u>49.2%</u>
TOTAL GENERAL FUND	12,511,100	100.0%	6,204,021	49.6%

Staff is requesting an increase of \$371,900 to general fund expenditures. Of that amount, across the four major activities, \$49,500 is for PERS benefit costs, \$16,300 for communication costs, \$4,000 for fuel costs, and \$45,400 gas and electric costs. As part of the \$72,800 increase to the Administration budget - \$10,000 is for consulting services for the recycling contract, \$12,000 for miscellaneous repairs to City hall and \$1,500 for the general funds portion of outsourcing the printing of the utility bills. Community Development is requesting \$80,100 for professional services associated with increased building activity (\$65,100) and additional work needed for the update of the general plan (\$15,000). Additionally, Community Development, Public Works and Public Safety are requesting \$50,000 for a new parcels and permits software program (\$35,000, \$10,000 and \$5,000, respectively). The Public Safety Police department is requesting \$5,600 be added to pay for the replacement of the citizen's patrol vehicle. Public Works is requesting \$100,000 for professional services – inspections and plan checks and \$5,000 for addition landscaping services throughout the City. These expenditure requests are summarized below in Table F and further detailed in attachment II.

Table F

GENERAL FUND	<u>Budgeted</u> <u>2005/2006</u>	<u>Revised</u> <u>2005/2006</u>	<u>Requested</u> <u>Additions</u>
Administration	4,420,800	4,493,600	72,800
Community Development	1,087,800	1,215,600	127,800
Public Safety	5,532,800	5,559,700	26,900
Public Works	<u>1,469,700</u>	<u>1,614,100</u>	<u>144,400</u>
TOTAL GENERAL FUND	12,511,100	12,883,000	371,900

Other Revenues – See attachment I for a complete summary of revenues and net changes – Budget vs. Revised. Overall utility services (water, sewer and refuse) revenues are higher as a result of the new customers. In the Special Projects fund we received \$395,800 for bond processing fees. And as previously mentioned the Redevelopment Agency tax increment and bond proceeds are significantly higher than originally budgeted.

Other Expenditures – See attachment II & III for a detailed listing of all expenditure adjustments and a complete summary of expenditures and net changes, respectively. The Sewer fund is requesting \$15,000 in professional services for the preparation of a rate study. The Loma Linda Connected Community Program fund is requesting an increase to expenses of \$2,243,200. Funding for this request is to be provided in the form of a loan from the Redevelopment Agency – taxable bond proceeds (see attached staff report and resolution), which is to be repaid over 15-years at LAIF quarterly interest rates. The Water fund is requesting \$401,900: \$272,600 for the purchase of new radio read meters, \$30,000 repair of flooding damage to Anderson Way, \$23,000 Mt. View SCADA conduit, \$30,000 preparation of urban water management, and \$15,000 water rate study.

Redevelopment Agency – Proposed expenditures include \$13.1 million of bond proceeds, \$4.8 million of tax exempt proceeds and \$8.3 of taxable proceeds. Some of the major projects funded by Tax exempt proceeds include: roof and solar power for the Library/Fire Station/Senior Center (\$1.2 million), street and sidewalk improvements (\$950,000), Beaumont Bridge (\$343,000), Barton storm drain and median improvements (\$1.1 million), and additional funding for Mt.

View Bridge widening (\$300,000). Taxable proceeds will be used to fund the roof and solar power for the Civic Center (\$1.2 million), refinance the purchase of property previously purchased (\$1 million) and loan \$2.3 million to the Loma Linda Connected Communities Program.

FINANCIAL IMPACT

Summary Table G below, presents the “Net Change to Ending Cash Balance”, which is calculated by taking the change in beginning available cash balance plus the proposed revenue changes less proposed expenditure changes. In the General Fund the City is seeing a positive net change of \$1,000,500 as the result of higher beginning available cash balance of \$779,400, the net increase in proposed revenues of \$593,000, and increase in expenditures totaling \$371,900, bringing the “unreserved” ending cash balance to \$2,815,500. Currently the “reserved” cash balance remains at \$2,100,000 (\$2,000,000 for the Rainy Day reserve and \$100,000 for Equipment Replacement reserve). The City as a whole began the year \$53,650 under due to lower Development Agreement Consideration fees and Development impacts fees not realized in fiscal year 2004/2005 and is projected to end with a net negative change of \$994,550, due to the same reasons as last year. The Redevelopment Agency beginning available cash balance was \$870,093 higher than originally projected, but net change to ending cash balance is projected to increase by \$9,796,993 due to unexpended bond proceeds.

Table G

Summary of Changes in Beginning Available Cash Balances, Revenues and Expenditures

<u>City</u>	<u>Beginning Available Cash Balance</u>	<u>Revenue Proposed Changes</u>	<u>Expenditure Proposed Changes</u>	<u>Net Change to Ending Cash Balance</u>
General	779,400	593,000	371,900	1,000,500
Sewer	338,700	27,600	12,300	354,000
Loma Linda Connected Comm.Prg	59,200	(144,800)	2,243,200	(2,328,800)
Water	1,300	208,100	401,900	(192,500)
Sewer Facilities	427,400	20,300	-	447,700
Water Acquisition	112,250	(2,900)	-	109,350
Development Agreement Consideratio	(468,300)	(2,124,500)	(2,592,800)	-
Traffic Safety	8,700	-	-	8,700
Gas Tax	39,500	(8,900)	-	30,600
T.I.P. Sales Tax - Measure I	23,400	49,800	-	73,200
Landscape Maintenanc	1,900	1,600	98,900	(95,400)
Street Lighting	(22,100)	8,200	1,800	(15,700)
Air Quality Mgmt District (AQMD)	14,200	2,200	-	16,400
Local Law Enforcement Grant	-	-	-	-
Environmental Protect. Agny. (EPA)	(12,600)	-	-	(12,600)
Federal/State Construction Grants	9,900	-	-	9,900
Traffic Congestion Relief Grant	-	107,200	-	107,200
Comm. Dev. Block Grant (CDBG)	126,400	200	-	126,600

Table G**Summary of Changes in Beginning Available Cash Balances,
Revenues and Expenditures**

City (continued)	Beginning Available Cash Balance	Revenue Proposed Changes	Expenditure Proposed Changes	Net Change to Ending Cash Balance
Citizens Option Pub. Safety (COPS)	23,400	4,300	24,500	3,200
Miscellaneous Grants	(27,200)	1,100	(22,000)	(4,100)
Assessment District 72-1	600	1,100	-	1,700
Water Bond Redemption	100	500	-	600
Park Development	(954,700)	533,300	-	(421,400)
Storm Drain	(56,800)	25,700	-	(31,100)
Traffic Impact	(229,200)	24,700	-	(204,500)
Fire Capital	(1,500)	3,300	-	1,800
Fire Facilities	(53,000)	3,100	-	(49,900)
General Facilities	(193,400)	(110,400)	-	(303,800)
Public Meeting Facilities	(30,300)	(20,000)	-	(50,300)
Public Libray Facilities	(23,000)	(15,300)	-	(38,300)
Special Projects	52,100	410,300	-	462,400
Total City Revenues	(53,650)	(401,200)	539,700	(994,550)
 Public Financing Authority	 120,100	 300	 -	 120,400
 <u>Redevelopment Agency</u>				
Project Area #1 - Debt Service	683,083	232,600	-	915,683
Project Area #1 - Operations	178,500	14,203,100	6,390,700	7,990,900
Project Area #1 - Low-Mod Housing	38,100	(1,566,400)	2,300	(1,530,600)
Project Area #2 - Debt Service	161,700	421,000	-	582,700
Project Area #2 - Operations	(191,400)	3,551,400	1,212,800	2,147,200
Project Area #2 - Low-Mod Housing	(590)	(307,100)	1,800	(309,490)
Inland Valley Dev. Agny. (IVDA)	700	(100)	-	600
Total Redevelopment Agency	870,093	16,534,500	7,607,600	9,796,993
 Total City, PFA & RDA	 936,543	 16,133,600	 8,147,300	 8,922,843

CONCLUSION

All changes to actual beginning available cash balances, proposed revenues, and proposed expenditures are reflected in the "Summary of Available Resources and Proposed Uses of Resources" (attachment IV), which illustrates the overall impact. The recommendations presented by staff represent a net increase in General Fund revenues of \$593,000 and a net increase in General Fund expenditures of \$371,900. In the overall City, the recommendations presented by staff represent a net decrease in revenues of \$401,200 and a net increase in expenditures of \$539,700. In addition, the recommendations presented by staff, represent a net

increase in Redevelopment Agency revenues of \$16,534,500 and a net increase in Redevelopment Agency expenditures of \$7,607,600. As a conclusion of the Mid-year budget review staff recommends the approval of the adjustments presented in the previous pages, and detailed in attachments I & II, to the fiscal year 2005-2006 budget.

Attachments:

Attachment I – Mid-Year Summary of Revenues and Net Changes

Attachment II – Detail Listing of Expenditure Changes Requested

Attachment III – Mid-Year Summary of Expenditures and Net Changes

Attachment IV – Summary of Available Resources and Proposed Uses of Budget Resources

Fiscal Year 2005-2006 Mid-Year Budget Review

Attachment V – Staff Report from Information Systems Director - LLCCP

Attachment VI - Resolutions

RESOLUTION NO.

A RESOLUTION OF THE LOMA LINDA REDEVELOPMENT
AGENCY AUTHORIZING A LOAN TO THE CITY OF LOMA
LINDA CONNECTED COMMUNITY PROGRAM IN THE SUM OF
\$2,328,800

WHEREAS, the Loma Linda Connected Community Program requires periodic funding to carry out the operations of the program; and

WHEREAS, the Redevelopment Agency is authorized to provide financial assistance to the City;

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment agency Board of the City of Loma Linda that:

1. The loan of \$2,328,800 in cash from taxable bond proceeds authorized to the City of Loma Linda Connected Community Program is hereby approved and recognized..

2. Said loan shall bear interest at a rate equivalent to the rate of the taxable bonds outstanding and shall be repaid to the Agency at such time as receipt from the Loma Linda Connected Community Program shall permit.

PASSED, APPROVED AND ADOPTED this 14th day of February 2006 by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Robert Ziprick, Chairman

ATTEST:

Pamela Byrnes-O'Camb, Secretary

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOMA LINDA, AUTHORIZING ACCEPTANCE OF A LOAN FROM THE LOMA LINDA REDEVELOPMENT AGENCY IN THE AMOUNT OF \$2,328,800

THE CITY COUNCIL OF THE CITY OF LOMA LINDA DOES HEREBY RESOLVE AS FOLLOWS:

1. The loan of \$2,328,800 in cash from Redevelopment Agency taxable bond proceeds authorized by the City Council of the City of Loma Linda is accepted.
2. Said loan shall bear interest at a rate equivalent to the rate of the taxable bonds outstanding and shall be repaid to the Redevelopment Agency at such time as receipts by the Loma Linda Connected Community Program shall permit.

PASSED, APPROVED AND ADOPTED this 14th day of February 2006 by the following vote:

Ayes:

Noes:

Absent:

Abstain:

Floyd Petersen, Mayor

ATTEST:

Pamela Byrnes-O'Camb, City Clerk